

Service Date: October 12, 1984

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

IN THE MATTER of the Application) UTILITY DIVISION
of the CITY OF CUT BANK to) DOCKET No. 84.9.56
Increase Rates and Charges for) INTERIM RATE ORDER NO. 5089
Sewer Service and Modify its Rate)
Structure.)

FINDINGS OF FACT

1. On September 14, 1984, the City of Cut Bank (Applicant or City) filed an application with this Commission for authorization to modify its rate structure and increase sewer rates to its Cut Bank, Montana customers on a permanent basis by approximately 220% which constitutes an annual revenue increase of approximately \$80,600.
2. Concurrent with its filing for a permanent increase in rates, the Applicant filed an application for an interim increase in rates of approximately 220% equaling a revenue increase of approximately \$80,600 or 100% of the proposed permanent increase.
3. The Commission's interim rules and guidelines call for "a clear showing that the petitioning utility is suffering an obvious income deficiency" before it will grant interim rate relief.
4. The Applicant's interim rate request includes adjustments not accepted in total or in part in previous Commission orders such as: Purchase of a Sewer Jet, Sewer Cleaning

(labor & water), Sewer Televising Subcontracts, Replacement Funds, Amortization of Rate Case Expense and Lagoon Repair (which may be non-jurisdictional since the testimony indicates it is mandated by the Montana Department of Health and Environmental Sciences).

5. Examination of the financial statements submitted by the City indicated that the City has experienced revenue shortfalls of \$10,833, \$11,289 and \$10,517 for the years ended June 30, 1982, 1983 and 1984 respectively, relative to the operation of the municipal sewer utility.

6. The City in its testimony alleges that the revenue shortfalls experienced by its sewer utility have, historically, been covered by the transfer of funds from other City departments, including revenue sharing funds. The City desires to make the Sewer Department self supporting and to establish sewer charges that reflect the actual cost of providing service. It is a generally accepted rate making principle that utility rates should be sufficient to cover the cost of providing service thereby creating a self supporting entity within the local government frame work which needs no supplementary funding.

7. It is the Commission's policy to avoid prejudging issues contained in a rate filing when determining a need for interim rate relief. The grant of funding for the items contained in Finding of Fact No. 4 would require the Commission to prejudge issues that are subjective and are therefore, not being considered for purposes of determining a need for interim rate relief.

8. The Commission for purposes of determining a need for interim rate relief finds it acceptable to use the 1985 budgeted expense, exclusive of those items contained in Finding of Fact No. 4, and test year revenues under the rates which became effective August 1, 1983. Using this criteria the Commission determined that the Applicant is experiencing an annual revenue loss in the amount of \$15,267 ($\$34,092 - \$49,359 = \$15,267$).

9. The Commission finds that this loss constitutes an obvious income deficiency in this instance, that deferred rate relief until a final order can be issued may adversely affect the utility's financial condition and further that under its current rate making standards, the utility may be entitled to rate relief at the time a final order is issued by the Commission in this docket.

10. The Commission finds that the City's sewer utility operation is experiencing an operating loss and accordingly, finds the City is entitled to interim rate relief of \$15,267 on an annual basis (See Finding of Fact No. 8).

11. The City in its application has proposed that the increased revenue determined appropriate in this order be generated through the implementation of a modified rate structure, which would include the implementation of a monthly customer charge plus a usage charge per 100 cubic feet of sewage discharged to the system. It is not the Commission's policy to implement a rate structure modification in an interim rate order because of the many variables that must be examined prior to allowing a rate

structure modification. Therefore the Commission, for interim rate purposes, finds that the Applicant's request to modify the rate structure should be denied and that the increased revenues granted herein should be generated by increasing rates for all services provided by the Applicant on the basis of a uniform percentage increase.

CONCLUSIONS OF LAW

1. The City of Cut Bank operates a public utility furnishing sewer service to customers in the Cut Bank, Montana area, and is subject to the supervision, regulation and control of this Commission. Section 69-3-102, MCA.

2. Section 69-3-304, MCA, provides in part, "The Commission may in its discretion, temporarily approve increases pending a hearing or final decision."

3. The Commission concludes that the grant of an interim rate increase in the manner set forth herein is just, reasonable and within discretion granted by Section 69-3-304, MCA.

ORDER

THEREFORE THE MONTANA PUBLIC SERVICE COMMISSION ORDERS THAT:

1. The City of Cut Bank is hereby granted authority to implement on an interim basis increased rates for its Cut Bank, Montana customers, designed to generate additional annual revenues in the amount of \$15,267.

2. The City of Cut Bank is to file revised tariff schedules spreading the increased revenues as a uniform percentage increase to all services.

3. The interim relief granted in this order is to be effective for services rendered on and after October 9, 1984.

4. The increase granted herein is subject to rebate should the final order in this Docket determine a lesser increase is warranted.

DONE IN OPEN SESSION this 9th day of October, 1984 by a vote of 5 to 0

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION.

THOMAS J. SCHNEIDER, Chairman

JOHN B. DRISCOLL, Commissioner

HOWARD L. ELLIS, Commissioner

CLYDE JARVIS, Commissioner

DANNY OBERG, Commissioner

ATTEST:

Madeline L. Cottrill
Commission Secretary

(SEAL)

NOTE: Any interested party may request the Commission to reconsider this decision. A motion to reconsider must be filed within ten (10) days. See ARM 38.2.4806.